WEEKLY ECONOMIC REVIEW

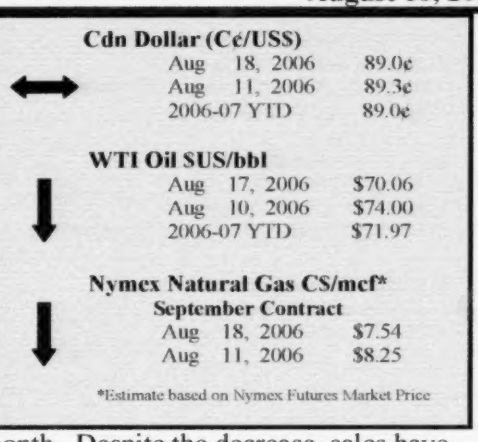
August 18, 2006

The U.S. consumer price index rose 0.4 per cent in July from the previous month and was up 4.1 per cent from July 2005. The main contributor to the increase was energy costs, which rose 2.9 per cent from last month, and 20.5 per cent from July 2005. However, core inflation, which excludes food and energy prices, increased by a modest 0.2 per cent, the slowest rate of increase in the previous four months. This week's CPI report is raising expectations that inflation is likely to ease and the U.S. Federal Reserve Board may not have to increase rates furthur to contain inflation.

Despite the strong Canadian dollar and tough global competition, the manufacturing sector continues to perform well. Canadian manufacturing shipments increased 1.9 per cent in June, following two months of declines. This increase marks the largest monthly gain in the past 10 months. Through the first half of 2006, Alberta's shipments have increased 9.2 per cent, the second highest among provinces, behind Saskatchewan (14.0 per cent), and leagues ahead of the national average of 0.7 per cent.

Alberta's new motor vehicle sales declined 2.4 per cent in June from the previous month. Despite the decrease, sales have been very strong in Alberta during the year. Motor vehicle sales are at record levels, averaging more than 20,000 units (seasonally adjusted) per month. In the first half of 2006, sales in the province increased 14.2 per cent compared to the same period last year, whereas Canadian sales increased 0.9 per cent.

The price for crude oil declined nearly US$4/bbl this week on news of a ceasefire between Israel and Hezbollah, and BP's decision to operate half of the Prudhoe Bay oil field in Alaska. Natural gas prices also declined following moderating temperatures in the United States and falling oil prices.



Economic Indicators Released this Week	Reference Period	Month/Previous Month	Month/Previous Year's Month	Year-to-date[1]
Consumer Price Index (1982-84=100)	**July**			
United States	203.5	0.4%	4.1%	4.8%
Manufacturing Shipments ($ Millions)	**June**			
Alberta	5,360	3.3%	7.9%	9.2%
Canada	51,437	1.9%	0.8%	0.7%
New Motor Vehicle Sales	**June**			
Alberta	20,019	-2.4%	5.4%	14.2%
Canada	134,734	-0.6%	-3.5%	0.9%
Wholesale Trade ($ Millions)	**June**			
Alberta	5,248	2.4%	16.9%	15.7%
Canada	41,520	-0.6%	5.5%	7.5%

Source: Statistics Canada and Canadian U.S. Bureau of Labour Statistics

[1] *Year-to-date 2006 compared to the same time period in 2005. For example: January-June 2006 versus January-June 2005*